

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-168-G - ORDER NO. 2003-56

FEBRUARY 3, 2003

IN RE:	Application of South Carolina Pipeline Corporation for Approval of an Agreement to Provide Firm Natural Gas Service to South Carolina Electric & Gas Company's Generation Facilities at the Urquhart Plant.)	ORDER APPROVING STIPULATION AND AGREEMENT FOR FIRM GAS SERVICE
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This matter comes before the Public Service Commission of South Carolina (the Commission) on the request for approval of a Firm Service Agreement (the Agreement) under which South Carolina Pipeline Corporation (SCPC or Pipeline) is to provide South Carolina Electric & Gas Company (SCE&G) with firm natural gas service to SCE&G's generation facilities at Plant Urquhart. Pursuant to the instructions of the Commission's Executive Director, a Notice of Filing was published one time in newspapers of general circulation. The Company furnished Affidavits of Publication accordingly. Petitions to Intervene were filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate), and jointly by three natural gas authorities: Chester County Natural Gas Authority, Lancaster County Natural Gas Authority, and York County Natural Gas Authority (the Authorities). The Consumer Advocate entered into a Stipulation with SCPC, which shall be discussed herein, and the Authorities stated in their Petition to Intervene that they supported the approval of the Agreement by the Commission.

The Agreement is for firm gas service for up to a Maximum Daily Quantity (MDQ) of 50,540 dts/day. The term contract is for 15 years, and commences when Upstream Capacity is available. SCPC secured 50,000 mcf of Upstream Capacity to support Firm Service, such capacity to be separate from Upstream Capacity used to serve other SCPC customers. All Firm Service is to be received from Southern Natural Gas's delivery point. SCE&G will pay for all upstream demand charges and applicable usage charges associated with Upstream Capacity. Under the further terms of the contract SCE&G pays SCPC the following: (1) Fixed Monthly Facilities Charge of \$155,000; (2) Variable Usage Charge of \$.02/dt; (3) Fuel Charge of 1% of receipts. After 3 years, the Monthly Facilities Charge is adjusted annually by 40% of the GDP Deflator. Also SCPC will purchase gas for Plant Urquhart on a daily basis at actual cost (such purchases to be excluded from the Weighted Average Cost of Gas or WACOG).

The Stipulation between SCPC and the Consumer Advocate states, among other things, that approval of the Agreement will not cause an increase in the rates of existing services. Further, the Stipulation notes that the Agreement was entered into by SCPC and SCE&G in response to a potential bypass of SCPC's system due to Plant Urquhart's proximity (about two miles) to the interstate pipeline facilities of Southern Natural Gas Company. The Stipulation differentiates characteristics of service between the Agreement and SCPC's system customers as follows: (1) SCE&G has access to firm supply only from the Southern interconnect; (2) SCE&G must nominate its gas each day; (3) SCE&G is subject to cash-out of imbalances; (4) SCE&G may be subjected to upstream pipeline penalties; (5) SCE&G's purchases are not eligible for participation in SCPC's Industrial

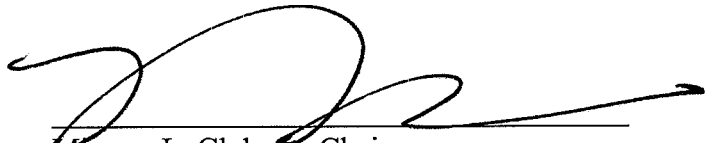
Sales Program Rider; (6) SCE&G pays for the upstream capacity supporting the service on a pass-through basis; and (7) SCE&G has no access to SCPC's on-system liquefied natural gas.

Further quoting the Stipulation, another term is that because the Agreement is not a system product, but is responsive to a potential bypass of SCPC's system, SCPC does not intend to make the rates and terms of the Agreement generally available to customers on its system. Next, the parties waive their right to a formal hearing. Further, nothing in the Stipulation should be construed to limit SCPC's ability to respond to other potential bypasses, as SCPC deems appropriate, and subject to any necessary Commission approval.

Accordingly, the Commission has examined the terms and conditions of both the Stipulation between SCPC and the Consumer Advocate and the terms and conditions of the Agreement, and the Commission finds that the approval of both documents is in the public interest. We think that the Stipulation is reasonable, as is the Agreement. Because the Agreement will not cause an increase in the rates of existing services, and because the Agreement is in response to a potential bypass of SCPC's system, we believe that specific and unique terms and conditions apply with regard to the rates and terms of service. Loss of this potential load would simply increase the costs of serving the system's existing customers. Therefore, it behooves SCPC to attempt to avoid bypass whenever and wherever possible upon appropriate terms, such as those seen in the present case. We therefore approve the Stipulation and the Agreement.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Mignon L. Clyburn, Chairman

ATTEST:


Gary E. Walsh, Executive Director

(SEAL)